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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 16, 1999

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

Ex parte: In the matter of CASE NO. INS860166
determination of activation
of joint underwriting association

FINAL ORDER APPROVING
DISSOLUTION MATTERS

ON A FORMER DAY came the Virginia Medical Malpractice Joint Underwriting Association ("Association") and the Stabilization Reserve Fund, by counsel, and filed with the Clerk of the Commission an Application dated April 14, 1999, seeking approval of certain matters necessary for the dissolution of the Association and Stabilization Reserve Fund ("the Application");

BY ORDER entered herein April 19, 1999, the Commission conducted a hearing in its Courtroom at 10:30 a.m. on June 2, 1999, for the purpose of considering the Application and determining, inter alia, whether the Association should be authorized to enter into the Assumption Agreement between the Association and American Continental Insurance Company ("American Continental") included as part of the Application whereby American Continental would assume the liabilities

arising from the Association's policies, as well as certain of the other liabilities and obligations arising from the operation of the Association, in return for certain assets of the Association, and whether the proposed pro rata method of distribution of the remaining assets to policyholders described in the Application constituted an equitable distribution pursuant to the requirements of § 38.2-2807 F of the Code of Virginia;

WHEREAS, the Association caused to be filed a Proof of Notice of this proceeding wherein the servicing carrier of the Association certified that the Notice to Current and Former Policyholders and Creditors of the Association ("Notice"), prescribed by Paragraph 4 of the Order entered by the Commission on April 19, 1999, was mailed, by first class mail, to each current and former policyholder of the Association, along with the other documents described in the affidavit, on April 28, 1999;

WHEREAS, the Association also caused to be filed affidavits certifying newspaper publication and other proofs of newspaper publication on April 28, 1999, of the aforesaid Notice, as required by Paragraph 4 of the Order entered by the Commission on April 19, 1999;

WHEREAS, the Application was supported by the testimony presented at the June 2, 1999 Hearing;

WHEREAS, no objections to the Application were filed and no person appeared at the June 2, 1999 Hearing to speak in opposition to the Application; and

WHEREAS, the Bureau of Insurance has recommended that the Commission approve the Application;

THE COMMISSION, having considered the Application filed by the Association and the Stabilization Reserve Fund, the testimony presented at the June 2, 1999 Hearing, the recommendation of the Bureau of Insurance for approval thereof, and the law applicable in this matter, is of the opinion that the Application as filed by the Association and the Stabilization Reserve Fund should be, and it is hereby, APPROVED, including the following items set forth in the Application:

(1) The Association entering into the Assumption Agreement between the Association and American Continental and the implementation of the terms of that agreement including (a) the payment of \$825,000 to American Continental incident to the assumption of liabilities and obligations of the Association by American Continental, as specified in the Assumption Agreement, and (b) the transfer of the Association's liabilities (except for those excluded liabilities identified in the Assumption Agreement) to American Continental, including the 57 policies for which extended reporting period endorsements were purchased.

(2) The liquidation of the Association's assets and the conversion of those assets into cash.

(3) The transfer to the Stabilization Reserve Fund of any remaining funds after the Association satisfies, or makes arrangement for the satisfaction of, all of its liabilities and obligations.

(4) The distribution by the Stabilization Reserve Fund of the funds transferred by the Association and all of the Stabilization Reserve Fund assets in accordance with the "pro rata" method of distribution described in the Application after the Stabilization Reserve Fund has satisfied its debts, liabilities and claims.

(5) The performance by the Association and the Stabilization Reserve Fund of all other acts incidental to and necessary for completion of the matters discussed in this Application and such other matters as may be necessary for the Association and the Stabilization Reserve Fund to complete their dissolution.

(6) The filing of reports by the Association and the Stabilization Reserve Fund with the Commission with respect to the satisfaction of their liabilities and obligations and a final report that demonstrates that all liabilities and obligations have been satisfied, including the distribution of

the remaining funds by the Stabilization Reserve Fund to policyholders.

Upon the filing of the final report described above, the Commission shall cause to be issued a certificate of dissolution of the Association and the Stabilization Reserve Fund.